

Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith

February 2, 2022

WASHINGTON — The U.S. Department of the Treasury is offering \$110 billion of Treasury securities to refund approximately \$54.8 billion of privately-held Treasury notes and bonds maturing on February 15, 2022. This issuance will raise new cash of approximately \$55.2 billion.

The securities are:

- A 3-year note in the amount of \$50 billion, maturing February 15, 2025;
- A 10-year note in the amount of \$37 billion, maturing February 15, 2032; and
- A 30-year bond in the amount of \$23 billion, maturing February 15, 2052.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, February 8, 2022. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, February 9, 2022. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, February 10, 2022. All of these auctions will settle on Tuesday, February 15, 2022.

The balance of Treasury financing requirements over the quarter will be met with weekly bill auctions, cash management bills (CMBs), and monthly note, bond, Treasury Inflation-Protected Securities (TIPS), and 2-year Floating Rate Note (FRN) auctions.

PROJECTED FINANCING NEEDS AND ISSUANCE PLANS

In November 2021, based on projected excess borrowing capacity over the intermediate term, Treasury announced its intention to reduce auction sizes across all nominal coupon securities, starting with modest decreases in the November 2021 to January 2022 quarter. Given the latest forecasts of borrowing needs, Treasury intends to continue reducing auction sizes across all nominal coupon securities during the upcoming February to April 2022 quarter. While these changes will make substantial progress towards aligning auction sizes with intermediate-term borrowing needs, additional reductions may be necessary depending on developments in projected borrowing needs going forward.

Treasury plans to address any seasonal or unexpected variations in borrowing needs over the next quarter through changes in regular bill auction sizes and/or CMBs.

NOMINAL COUPON AND FRN FINANCING

Over the next three months, Treasury anticipates incrementally reducing the sizes of the 2-, 3-, and 5-year note auctions by \$2 billion per month. As a result, the size of 2-, 3-, and 5-year note auctions will each decrease by \$6 billion by the end of April. Treasury also anticipates reducing the size of the 7-year note auction by \$3 billion per month over the next three months. The size of the 7-year note auction will decrease by \$9 billion by the end of April.

Treasury anticipates decreases of \$2 billion to both the new and reopened 10-year note auction sizes and to the new and reopened 30-year bond auction sizes starting in February. Treasury also anticipates decreases of \$4 billion to both the new and reopened 20-year bond auction sizes starting in February.

In addition, Treasury will decrease the February and March FRN reopening auction sizes by \$2 billion (resulting in a \$22 billion auction size for each). Treasury anticipates decreasing the size of the next new-issue 2-year FRN auction in April by \$2 billion to \$24 billion.

The table below presents the anticipated auction sizes (in \$ billion) for the upcoming February – April 2022 quarter:

	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>	<u>FRN</u>
<i>Nov-21</i>	58	56	59	59	39	23	25	24
<i>Dec-21</i>	56	54	57	56	36	20	22	24
<i>Jan-22</i>	54	52	55	53	36	20	22	26
<i>Feb-22</i>	52	50	53	50	37	19	23	22
<i>Mar-22</i>	50	48	51	47	34	16	20	22
<i>Apr-22</i>	48	46	49	44	34	16	20	24

The changes in nominal coupon auction sizes announced today will result in a \$111 billion reduction of issuance to private investors during the February – April 2022 quarter compared to the November 2021 – January 2022 quarter.

TIPS FINANCING

Over the next refunding quarter, Treasury intends to maintain the February 30-year TIPS new issue auction size at \$9 billion and the March 10-year TIPS reopening auction size at \$14 billion. Treasury expects to increase the April 5-year TIPS new issue auction size to \$20 billion, which reflects a \$1 billion increase from October. Given Treasury's desire to stabilize the share of TIPS

as a percent of total marketable debt outstanding, Treasury will continue to monitor TIPS market conditions and consider whether subsequent modest increases would be appropriate.

BILL ISSUANCE

Treasury is actively evaluating whether to change the 17-week CMB to benchmark status and will announce its decision at an upcoming refunding. In the interim, Treasury will continue to supplement its regular benchmark bill financing with weekly issuance of the 17-week CMB for Tuesday settlement and maturity, at least through the end of April.

CASH BALANCE

In the second half of 2021, debt limit constraints required Treasury to temporarily deviate from its established cash balance policy. Following the [debt limit increase](#) signed into law on December 16, 2021, Treasury has replenished its cash balance to levels consistent with its policy. As a reminder, Treasury seeks to maintain funds sufficient to cover its one-week ahead cash need, which includes both net fiscal outflows and the gross volume of maturing marketable debt. Furthermore, under this policy, Treasury takes into consideration cash flow uncertainty that can result from a variety of factors, including changes in economic activity influencing tax revenue, irregular outlays from federal programs, and the potential for legislative changes that affect short-term cash flows.

Treasury's cash balance policy is a risk management tool, helping to protect against a potential interruption in market access. As such, the level under the policy represents neither a target nor a maximum balance, but rather the minimum level of cash Treasury intends to maintain in order to ensure it can meet its obligations even if its ability to borrow new funds is temporarily disrupted.

Variations in cash flows over time result in Treasury's liquidity needs differing significantly week-to-week, but Treasury seeks to change auction sizes gradually to minimize any potential market disruption. Accordingly, Treasury develops its borrowing plans by evaluating cash flow projections not only for the week ahead but also for subsequent weeks and months. This process often results in Treasury holding a cash balance above the minimum level necessary to meet its projected one-week ahead cash need.

SMALL-VALUE BUYBACK OPERATION

Treasury regularly conducts periodic testing of existing IT infrastructure to ensure that buyback functionality remains operational. Within the next three months, Treasury intends to conduct

another small-value buyback operation to continue testing the buyback infrastructure. Details of such an operation will be announced at a later date.

These small-scale buyback operations should not be viewed by market participants as a precursor or signal of any pending policy changes regarding Treasury's use of buybacks.

Please send comments or suggestions on these subjects or others related to debt management to debt.management@treasury.gov.

The next quarterly refunding announcement will take place on Wednesday, May 4, 2022.

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